



**Actuarial & Employer Services Branch**  
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December 14, 2010

**AGENDA ITEM 5f**

**TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION  
COMMITTEE**

- I. SUBJECT:** Public Employee Compensation Update
- II. PROGRAM:** Actuarial & Employer Services Branch
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

The purpose of this agenda item is to provide an update on the activities that have occurred statewide and at CalPERS to address concerns about the compensation and benefits paid to certain public employees.

- On October 25, 2010, the State Controller unveiled a new website that lists the salary, pension benefits and other compensation for California's city and county employees. The Controller will extend this reporting for special district and state employees by June of 2011.
- On November 12, 2010, the CalPERS Office of Audit Services (OFAS) issued its final report on the public agency review of the City of Bell. The most significant findings were that the City failed to provide information necessary to show that employment contracts had been reviewed and authorized by the City Council in a public meeting or were otherwise made publicly available, non-reportable special compensation such as employer payments to a deferred compensation plan were incorrectly reported to CalPERS, and that certain payrates reported by the City failed to qualify as compensation earnable for pension purposes.
- On November 18, 2010, the State Controller released the results of an audit that found the City of Bell spent state and federal funds without valid contracts in place, made payments for services outside the scope of an existing contract, and awarded contracts without following competitive bidding.

Members of the Benefits and Program Administration Committee  
December 14, 2010

- On November 18, 2010, the Fair Political Practices Commission held a meeting to solicit comments on proposed changes to Form 700 to include an addendum for public officials to voluntarily disclose their governmental salaries and other compensation benefits. The FPFC may consider the changes at its December meeting.
- Staff completed their review of the fifteen members with reported compensation earnable over \$400,000. The compensation reported for twelve members was determined to be in compliance with statutes and regulations. One of the twelve was a retired member who was reviewed at the time of retirement and, based on information received at that time, the compensation was determined to be reportable. However, the OFAS is currently performing a full public agency review of the member's employer, and the member's compensation will be re-evaluated based on any new information or findings from the report. Of the remaining 3 members, one was determined to be an independent contractor and should not have been reported to CalPERS for one year of service credit. The second member had an item of special compensation reported that was determined to not meet the criteria in statute or regulations. The specific type of special compensation denied is already the subject of a pending appeal for another individual with the same agency. The last member was the Chief Administrative Officer for the City of Bell and the compensation has been reduced to the latest publicly approved pay schedule based on the final report of the OFAS and the civil case in progress.
- Staff are continuing their sample review of members with compensation earnable over the Internal Revenue Code 401(a)(17) compensation limit of \$245,000 to ensure they are being reported in compliance with our statutes and regulations. We anticipate completing this review by December 31, 2010. Depending upon the results of the sample review, a further in-depth review may be undertaken.
- Staff are continuing to document ongoing compensation review determinations. After six months of data is compiled, a comprehensive analysis will be performed and recommendations will be prepared for a full report to the Board.
- Staff developed proposed regulations to clarify what is needed for a pay schedule or written labor policy or agreement to meet the requirements of being publicly available and properly approved. The Public Employee Compensation and Benefits Task Force provided feedback during drafting of the proposed regulations. These proposed regulations are covered in a separate agenda item.

**V. STRATEGIC PLAN:**

This item is not a specific product of the Strategic or Annual Plans, but is part of the regular and ongoing workload of the Actuarial & Employer Services Branch and other affected branches.

**VI. RESULTS/COSTS:**

None

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LORI MCGARTLAND, Chief  
Employer Services Division

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ALAN MILLIGAN  
Chief Actuary